

1997-98 SESSION  
COMMITTEE HEARING  
RECORDS

Committee Name:

Joint Committee on  
Finance (JC-Fi)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR\_RCP\_pt01a
- 05hrAC-EdR\_RCP\_pt01b
- 05hrAC-EdR\_RCP\_pt02

➤ Appointments ... Appt

➤ \*\*

➤ Clearinghouse Rules ... CRule

➤ \*\*

➤ Committee Hearings ... CH

➤ \*\*

➤ Committee Reports ... CR

➤ \*\*

➤ Executive Sessions ... ES

➤ \*\*

➤ Hearing Records ... HR

➤ \*\*

➤ Miscellaneous ... Misc

➤ 97hrJC-Fi\_Misc\_pt386

➤ Record of Comm. Proceedings ... RCP

➤ \*\*

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### **Food Inspection Program (DATCP)**

[LFB Summary: Page 81, Item #9]

## CURRENT LAW

DATCP administers a food inspection program that regulates the food supply from point of production to retail sale and consumption. The program involves inspection, sampling, compliance monitoring of those involved in the production and sale of food and the enforcement of state and federal food safety laws.

Base funding for DATCP's food inspection program is \$3,452,900 PR (52%) and \$3,153,100 GPR (48%). Program revenues are primarily provided from license and inspection fees paid by dairy farms, dairy plants, milk distributors, food processing plants, food warehouses and retail food establishments.

## GOVERNOR

Provide \$50,000 GPR annually in unallotted reserve for the Department's food inspection program activities. Funding could be released by DOA after reviewing the findings of a study of DATCP's food inspection program which is required under the bill. The Department would be required to study its food inspection programs procedures to: (a) identify areas in the programs that could become more efficient; (b) develop a plan to streamline its food inspection programs; and (c) identify any cost-savings that could be implemented based on the efficiencies and improved procedures. DATCP would submit its findings and plan to the Secretary of DOA by October 1, 1997.

## DISCUSSION POINTS

1. The state's food safety program efforts are designed to safeguard public health and ensure a safe and wholesome food supply. The program also provides economic benefits to the regulated facilities in that the assurance of safety can facilitate the sale of their products. That is, because most of the inspection services provided by the program are required before goods can be shipped out of state, the program facilitates the sale of dairy and food products in interstate and international markets. Therefore, because the program benefits both the general public and the industry, the Department believes that the program should be funded with both GPR and PR funds. The 1991-93 budget created a program that was 60% GPR and 40% PR, with program revenue fees established by Department rule.
2. While base funding for the entire food safety program is 52% PR and 48% GPR, certain programs funded from the PR appropriation have traditionally been 100% PR-funded. Factoring out these programs (lab certification, pasteurizer testing and sealing, dairy plant equipment plan reviews and grading program efforts), the remainder of DATCP's food safety program is approximately 50% PR and 50% GPR. The 1995-97 budget converted \$279,900 and 5.0 positions from GPR to PR which resulted in the approximate 50/50 funding split.
3. No additional staff have been added to DATCP's food safety program nor has the Department increased fees deposited to the food safety program since 1991 (excluding 100% PR programs). However, program costs have increased despite the same level of services. The program began the 1995-97 biennium with a \$602,000 balance but will end the biennium with a projected balance of \$225,000. The increased costs to the PR account are largely due to: (a) the shift of five staff from GPR to PR; and (b) the increased salary and supply costs for the existing staff.
4. It should be noted that the Department is currently holding program expenditures below authorized levels in order for the food safety program to end the current biennium with a positive balance. However, DATCP cannot reduce expenditures to a level that would maintain a positive balance in the account through the end of next biennium without laying off staff or otherwise curtailing essential program services. Therefore, the program revenue account will be in deficit in the next biennium unless revenues are increased. Under the current revenue structure and the expenditure levels provided under the bill, the PR account would end the 1997-99 biennium with a projected deficit of \$1.8 million.
5. Food safety license and inspection fees are set by administrative rule. The DATCP Board in March, 1997, approved for public hearing a rule that would increase the food safety fee revenues. The proposed fee increases would result in approximately \$1.3 million in revenues (a 22% increase) in the 1997-99 biennium and approximately \$900,000 (a 31% increase) annually thereafter. Agency officials indicate that based on industry feedback the draft rule that went to the Board would generate approximately \$200,000 less annually than the Department's original proposal.

6. The Department referred a copy of the draft rule to the Legislative Council Rules Clearinghouse on March 14, 1997. Following public hearings, the Department will prepare a final draft rule for approval by the DATCP Board. If the Board approves the rule, the Department will transmit the final draft rule to the Legislature for review by the appropriate Committees. If the Legislature, at that time, takes no action, the DATCP Secretary will sign the final rulemaking order and submit the rule for publication in the Wisconsin Administrative Register, at which time the rule takes effect (unless a delayed effective date is specified). The Department intends to implement the rule in late 1997. Most of the fee increases would apply on the effective date of the rule or upon the next license renewal. However, the milk producer license, reinspection and reinstatement fees would have a delayed effective date of July, 1999. Further, it should be noted that any extent to which the proposed fee increases in the draft rule are amended, program revenues associated with the rule would also be affected.

7. At the expenditure levels recommended by the Governor and including the proposed fee increase, the food safety program revenue account would end the 1997-99 biennium with approximately a \$303,000 deficit. The following table lists the program revenue balance under the fee proposal and the expenditure levels provided under the bill.

**Food Safety  
Program Revenue Account\***

	<u>1997-98</u>	<u>1998-99</u>
Beginning Balance	\$225,100	-\$67,300
Revenues	3,538,500	3,639,600
Expenditures**	<u>-3,830,900</u>	<u>-3,875,300</u>
Ending Balance	-\$67,300	-\$303,000

\* Includes 100% PR funded programs.

\*\* Includes approximately \$133,200 in estimated pay plan increases in the biennium.

8. While the table would indicate a potential program deficit, the Department states that expenditures will again be held within revenues to the extent necessary to maintain a 5% reserve balance (approximately \$190,000). Under the bill, \$179,900 PR annually is provided in unallotted reserve. Further, while the bill provides \$50,000 GPR annually to be held in unallotted reserve contingent upon the program efficiency study required under the bill, the Governor does not make a corresponding decrease in the PR expenditures to reflect the increased GPR expenditures for food safety. Therefore, if the Committee wants to ensure that the program revenue account ends the 1997-99 biennium with a positive balance (approximately \$156,800), the Committee could reduce the program's PR expenditure authority by \$229,900 annually to


reflect the elimination of PR funding currently budgeted in unallotted reserve (\$179,900) and the GPR funding provided under the bill (\$50,000). Excluding those programs that have historically been 100% PR funded, the authorized program funding would be \$3,143,800 GPR (51%) and approximately \$3,050,000 PR (49%).

9. While the Department indicates that program expenditures could be reduced by \$229,900, they also note such a reduction would reduce the Department's flexibility to expend at a higher level in the event revenues are higher than anticipated. However, in the event revenues increase beyond current expectations, the Department could submit a s. 16.515 request (14-day passive review) to increase expenditure authority as needed. Conversely, if revenues under the final rule are lower than currently anticipated, DATCP would again need to reduce expenditures below the authorized levels in order to maintain a positive balance.


10. If the Committee wants additional oversight over the program the \$50,000 GPR annually could be transferred to the Committee's appropriation (rather than being released by DOA under the bill). Further, any request for release of the funds would include the Department's study.

11. Another alternative would be to provide no additional GPR and reduce PR authority by \$179,900 annually (June 30, 1999, balance of \$56,800 PR). Program funding would be approximately 50% GPR and 50% PR.

#### ALTERNATIVES TO BASE

 Approve the Governor's recommendations to provide \$50,000 annually in unallotted reserve for the Department's food inspection program activities which could be released by DOA after reviewing the findings of a study of DATCP's food inspection program.

<u>Alternative 1</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$100,000
[Change to Bill]	\$0]

 2. Provide \$50,000 annually in the Joint Committee on Finance appropriation. Further, require that any request for release of the funds include the results of the Department's study.

<u>Alternative 2</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$100,000
[Change to Bill]	\$0]

3. In addition to one of the above, reduce the program's PR expenditure authority by \$229,900 annually in order to maintain a positive account balance.

<u>Alternative 3</u>		<u>PR</u>
1997-99 FUNDING (Change to Base)	- \$459,800	
[Change to Bill]	- \$459,800]	

4. Delete \$179,900 PR annually to maintain expenditures within available revenues.

<u>Alternative 4</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$0	- \$359,800	- \$359,800
[Change to Bill]	- \$100,000	- \$359,800	- \$459,800]

5. Maintain current law.

<u>Alternative 5</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$100,000]

Prepared by: Al Runde

MO# Alt #2 #4 #171

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 13 NO 2 ABS 1

MO# Alt #1 #3 #171

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 6 NO 9 ABS 1

FAIL

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### **Weights and Measures Inspection Program -- Liquid Petroleum Gas (DATCP)**

[LFB Summary: Page 82, #11 as it relates to LPG]

## CURRENT LAW

DATCP administers a weights and measures program that enforces state laws designed to ensure the accuracy of measuring devices and quantity declarations used in commercial transactions. The program protects consumers and businesses from misrepresentations and fraudulent practices through regular inspections of devices and commodities. As part of this general authority, the Department periodically inspects the accuracy of liquid petroleum gas (LPG) meters.

## GOVERNOR

Annually, require that all sellers of liquified petroleum gas (LPG) (those who sell liquid petroleum gas or operate a meter that measures the amount of liquified petroleum gas that person delivers) have their meters tested for accuracy according to Department standards. Testing or service companies would be required to promptly provide a meter inspection report to the seller and file a copy of the inspection report with the Department within 30 days of the inspection. Both the meter testing and service companies and the person whose meters are inspected would be required to have on file at least three years of meter inspection reports and make them available to DATCP upon request. The Department would bill each meter testing and service company \$20, payable by April 1, for each meter that the company has filed an inspection report for during the preceding year.

The Department could promulgate rules on standards for the construction, installation, maintenance, inspection and testing of liquified petroleum gas meters. The Department would also have the specific authority to inspect or test any meter. The bill would also create the following fees associated with DATCP inspections:

- a. A seller would pay a \$150 fee if the seller's meter fails a Department inspection or test because the amount of gas delivered is less than the meter indicates;
- b. A seller would pay a \$150 fee if the seller's meter has not been inspected within 365 days of the Department's inspection (first applies to inspections or testing conducted one year after the effective date of the bill); and
- c. A seller would pay a \$250 reinspection fee if the Department reinspects a meter that has previously failed a Department inspection and the meter fails a reinspection because the amount of gas delivered is less than the meter indicates. However, if the reinspection is more than 180 days after the Department's initial inspection, the seller would be required to pay a \$150 fee.

It is estimated that the fees would produce \$30,200 in program revenue in 1997-99.

## **DISCUSSION POINTS**

1. DATCP estimates that there are approximately 500 truck mounted LPG meters and 400 other LPG meters used in the state each year to measure the amount of LPG dispensed to consumers. Truck mounted meters are responsible for dispensing most of the LPG in the state. These meters are generally used to sell LPG to businesses, homes and mobile homes. Stationary meters are used to fill smaller tanks, such as those on motor homes and those used at campgrounds.
2. Chapter 98 of the statutes authorizes DATCP to license service companies that install, inspect, test and calibrate LPG meters and most measuring devices (such as fuel pumps and vehicle and other scales). LPG meters are not currently required to be tested annually. Service companies typically charge between \$75 and \$100 per inspection. In addition, DATCP randomly tests the measuring devices, including LPG meters, to ensure that the service companies are accurately calibrating and testing the devices.
3. DATCP has found that LPG meters are the least accurate devices that the Department tests. Over the last five years, DATCP has conducted approximately 300 tests annually on primarily truck mounted LPG meters and found that 61% have been in compliance (39% fail). Those meters found in noncompliance are evenly split in that one-half err in favor of, and one-half err against, the consumer.



4. Due to its volatile physical properties, LPG reacts differently depending on the air temperature which may account for some of the noncompliance among LPG meters. Therefore, even if LPG meters are tested annually, many of the meters could continue to misread the amount of gas delivered due to environmental factors largely beyond the control of the meter owner or a service company. However, while DATCP agrees that a 100% compliance rate will not be achieved, the Department indicates that increased testing and improved LPG meter servicing should improve the current compliance rate.

5. It is estimated that DATCP is currently dedicating .33 FTE and approximately \$26,400 to perform LPG inspections. The LPG program currently generates no revenue for the weights and measures program. The Governor's recommendation would generate approximately \$24,200 annually (approximately \$6,000 in 1997-98) to defray the costs of inspecting LPG meters. Revenues would be generated as follows: \$18,000 (\$4,500 in 1997-98) associated with approximately 900 annual service company inspections; \$5,000 (\$1,200 in 1997-98) associated with DATCP's initial inspections; and \$1,200 (\$300 in 1997-98) associated with DATCP reinspections.

6. The bill would require that LPG meters be tested annually by a service company, which could likely increase the compliance rate. Further, DATCP will continue to randomly inspect these devices to ensure that the service companies are properly certifying the meters. DATCP has indicated that as the compliance rate of LPG meters increases the level of inspections done by the Department will likely decrease.

7. Under the bill, if a seller's meter fails a Department inspection or test because the amount of gas delivered is less than the meter indicates, the seller is charged a \$150 inspection fee. The arguments for charging this fee are: (a) the \$150 fee would provide sellers of LPG with an incentive to contract with a reputable service company and would provide service companies with an incentive to provide quality work if they want to retain their customers; and (b) the seller has benefitted from delivering less LPG than the consumer paid for.

8. Some concerns have been raised about the fairness of providing DATCP with authority to potentially charge LPG sellers for inspections shortly after being inspected by the service company. If DATCP finds their LPG meter is dispensing less LPG than is being charged for, an LPG seller would likely face \$300 to \$350 in inspection costs within a one-year period associated with that meter, as follows: \$75 to \$100 (perhaps \$95 to \$120 under the bill) for an initial service company inspection; \$150 for the DATCP inspection; and \$75 to \$100 for a subsequent service company visit to re-calibrate the meter so that it is in compliance. DATCP contends these potential costs provide incentive for sellers to obtain accurate testing or seek a guarantee from a service company, which could, in turn, increase the quality of the service companies work and increase overall compliance. However, it could be argued that the proposed \$250 fee for a DATCP reinspection of a LPG meter found in noncompliance would also provide such incentives.

9. Further, the bill would allow DATCP the authority to assess the same fee to a seller whether the seller was inspected by DATCP two weeks or ten months after being inspected by a service company. This could occur despite the fact that a seller inspected by DATCP ten months after being inspected by the service company likely benefitted from a greater amount of sales revenues associated with overcharging for the amount of LPG delivered.

10. While assessing a \$150 fee for DATCP initial inspections where a meter errs in the favor of the seller may increase compliance more quickly, eliminating the initial DATCP inspection fee, while retaining the proposed \$250 reinspection fee, could alleviate the concerns surrounding the fee. This alternative would reduce estimated revenues by \$1,200 in 1997-98 and \$5,000 annually thereafter, and provide LPG sellers with an opportunity to comply with the Department's inspection before being assessed a fee by the Department for noncompliance. Revenues would be \$24,100 in 1997-99, rather than \$30,300 under the bill.

11. If no fees are charged for service company inspections or DATCP inspections, other fee payers would continue to subsidize the DATCP LPG inspections.

#### ALTERNATIVES TO BASE

1. Approve the Governor's recommendation, as reestimated, to require that LPG meters be tested annually and provide DATCP with the authority to assess the following fees: (a) \$20 per LPG meter inspected by weights and measures service companies; (b) \$150 for a DATCP inspection if the meter errs in favor of the seller or if the seller is operating a meter that has not been inspected within 365 days of the DATCP inspection; and (c) \$250 if a meter errs in favor of the seller during reinspection by DATCP.

<u>Alternative 1</u>	<u>PR</u>
1997-99 REVENUE (Change to Base)	\$30,200
[Change to Bill	- \$18,200]

2. Approve the Governor's recommendation, except the provision that would allow DATCP the authority to assess a \$150 initial inspection fee for sellers to LPG whose meters deliver less gas than indicated (reduces Governor's recommendation as reestimated by \$1,200 in 1997-98 and \$5,000 in 1998-99).

<u>Alternative 2</u>	<u>PR</u>
1997-99 REVENUE (Change to Base)	\$24,100
[Change to Bill	- \$24,300]

AGRICULTURE, TRADE AND CONSUMER PROTECTION

Liquid Petroleum Gas [Paper #172]

Motion:

Move the following:

*Amend to  
date 1/1/98  
att*

1. Require DATCP to promulgate rules requiring that all owners of liquified petroleum gas (LPG) meters register their LPG meters. LPG meter owners would be required to submit a \$25 one-time registration fee. The registration fee would apply to each meter in operation to be paid within 60 days of the effective date of the rule and to each new meter within 60 days of being installed.
2. Annually (each calendar year) require each LPG meter to be tested by a licensed meter servicing company.
3. Within 30 days after testing the LPG meter, the testing company would be required to send the results to DATCP.
4. DATCP would be required to notify the owner if the meter has not been tested, at which time the meter owner would have 30 days to test their meter. If the meter owner fails to comply within 30 days of being notified the Department could assess the meter owner a fee of up to \$100 for each meter that remains untested.
5. If the LPG meter is not registered, allow DATCP to assess the meter owner a fee of up to \$250 per meter. The owner of the meter would have 30 days to comply and pay the fee, or the fee would be increased by \$10 per day thereafter until the meter is found in compliance.
6. If the service company does not report the test result on a meter to DATCP, the servicing company would be required to pay any fees related to that meter until the test is reported.

MO# 450 #172

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 15 NO 0 ABS 1

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Note:

The motion would require registration fees on a one-time basis for both existing LPG meters and LPG meters to be installed in the future. Currently, an estimated 900 LPG meters exist in the state which would result in one-time revenues of \$22,500. Fee revenues associated with newly installed meters, unregistered or untested meters are unknown.

[Revenue Change to Base: \$22,500 PR]

[Revenue Change to Bill: -\$25,900 PR]

AGRICULTURE, TRADE AND CONSUMER PROTECTION

Weights and Measures Program

Motion:

Move to specify that municipalities contracting with DATCP to provide weights and measures services be allowed to charge businesses within their municipality to cover the costs of the DATCP inspections.

*actual*

Note:

Under current law, any municipality with a population of 5,000 or more is required to establish a municipal department of weights and measures to enforce the weights and measures statutes. Municipalities can contract with the Department to conduct the inspection activities (93 cities are currently under contract with DATCP) and DATCP may assess the municipalities a fee for conducting the inspections. Current law does not specify whether municipalities may pass on costs to regulated businesses.

MO# 475

JENSEN	<input checked="" type="checkbox"/>	N	A
OURADA	<input checked="" type="checkbox"/>	N	A
HARSDORF	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

BURKE	<input checked="" type="checkbox"/>	N	A
DECKER	<input checked="" type="checkbox"/>	N	A
GEORGE	<input checked="" type="checkbox"/>	N	<input checked="" type="checkbox"/>
JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A

AYE 15 NO 0 ABS 1

AGRICULTURE, TRADE AND CONSUMER PROTECTION

Weights and Measures

Motion:

Move to adopt the Governors recommendation to require that the annual motor vehicle scale license fee be increased from \$30 to \$60 during the 1997-99 biennium only.

Note:

The motion would modify the Governor's recommendation and provide a one-time increase in motor vehicle license scales from \$30 to \$60 in the biennium.

MO# 1027 P#172

JENSEN	<del>Y</del>	N	A
OURADA	<del>Y</del>	N	A
HARSDORF	<del>Y</del>	N	A
ALBERS	<del>Y</del>	N	A
GARD	<del>Y</del>	N	A
KAUFERT	<del>Y</del>	N	A
LINTON	<del>Y</del>	N	A
COGGS	<del>Y</del>	N	A
BURKE	Y	<del>N</del>	A
DECKER	Y	<del>N</del>	A
GEORGE	Y	<del>N</del>	A
JAUCH	Y	<del>N</del>	A
WINEKE	Y	<del>N</del>	A
SHIBILSKI	<del>Y</del>	N	A
COWLES	<del>Y</del>	N	A
PANZER	<del>Y</del>	N	A
AYE <u>10</u>	NO <u>5</u>	ABS <u>1</u>	

3. Maintain current law (no fees would be assessed for LPG meter inspections by service companies or DATCP).

<b>Alternative 3</b>	<b>PR</b>
1997-99 REVENUE (Change to Base)	\$0
[Change to Bill	- \$48,400]

Prepared by: Al Runde

MO# \_\_\_\_\_

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE \_\_\_\_\_ NO \_\_\_\_\_ ABS \_\_\_\_\_

*See Motions*

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### **Animal Waste Management Grants (DATCP)**

[LFB Summary: Page 80, Item #6]

## CURRENT LAW

DATCP may provide animal waste regulatory grants to landowners to correct a Department of Natural Resources (DNR) notice of discharge (NOD) of animal waste from the following appropriations: (a) a continuing, program revenue appropriation funded from transfers from DNR's nonpoint source water pollution abatement program appropriations (estimated at \$100,000 in base funding) to provide grants to landowners within a state designated priority watershed; (b) an annual, segregated appropriation from the nonpoint account of the environmental fund (\$950,000 in base funding) that also funds agricultural shoreland management and soil and water resource management (SWRM) program activities (soil erosion control, nutrient management planning and farmland preservation conservation compliance); and (c) a continuing GPR appropriation (\$2,455,700 in base funding) which is primarily used to fund basic allocation grants to counties for staff to conduct SWRM program activities.

## GOVERNOR

Provide the Department authority to award grants to any landowner, regardless of location, that has received a NOD of animal waste. Currently, such grants are restricted to those landowners within a state designated priority watershed.



## **DISCUSSION POINTS**

DATCP, DNR and the counties work jointly in controlling nonpoint source water pollution and soil erosion in the state: DATCP through its Soil and Water Resource Management (SWRM) program, including cost share grants to landowners that have received a DNR notice of discharge; DNR through its nonpoint source pollution abatement program in designated state priority watersheds; and counties through grants from the SWRM and nonpoint programs for local staff to administer and implement the programs.

Under current law, DATCP under its SWRM program is provided funding to make grants to counties to conduct soil conservation and agricultural shoreland management program activities. Any funds that are not spent toward these activities are then required to be spent on cost share grants to recipients of a DNR notice of discharge (NOD) of water pollution, which have required approximately \$750,000 annually in funding. DATCP may use any remaining funds for other soil and water conservation program efforts such as nutrient and pesticide management planning.

The bill would allow the transfer of funds from DNR's nonpoint appropriations to DATCP for installation of farm practices to reduce pollution in any of the state's waters. However, the effect of the provision could be to free up base funding in DATCP for other programs (such as nutrient and pesticide management grants to counties) and a corresponding reduction in DNR's grants for county watershed staff and farm practices. Following is a discussion of a number of issues related to the Governor's recommendation.

### **Notice of Discharge Process**

1. DNR, under administrative rule NR 243, regulates livestock operations having less than 1,000 animal units if DNR determines that the operation is causing significant pollution discharges. DNR has authority to issue to such operations a notice of discharge (NOD), which specifies the corrective actions needed to control the discharge. The issuance of an NOD is primarily the result of an on-site investigation in response to a citizen complaint about a farm operator. An operator who fails to meet the requirements of the NOD within a specified time frame may be required to obtain a Wisconsin pollution discharge elimination system (WPDES) permit.

2. Under NR 243, only those operations issued a NOD are eligible for cost-sharing grants typically covering 50% to 70% of the cost of installing water pollution control practices or facilities necessary to meet the requirements of the NOD. DATCP administers the cost share grant program for animal waste related discharges under NR 243. Any operator or landowner that fails to meet the provisions of a NOD is issued a pollution discharge permit at which time the operation becomes ineligible for any cost-share assistance.

3. DNR, under the critical sites provisions added to the nonpoint program in 1994, can initiate the NOD process against a landowner without citizen complaint. However, DNR is not required to begin NR 243 actions on each site designated as critical. Critical sites are those sites that are significant sources of nonpoint source water pollution upon which best management practices must be implemented in order to obtain a reasonable likelihood that the water quality objectives contained in the watershed plans can be achieved. All priority watersheds selected after August, 1993, are required to designate critical sites in the individual nonpoint pollution control plan. Currently, 22 watershed projects are in the planning stages and are required to designate critical sites.

4. Critical sites are eligible for cost-sharing grants under DNR's nonpoint source water pollution abatement grant program. However, if the owner or operator of a critical site takes no action and the site still meets the critical sites criteria for the release of nonpoint source pollutants after cost-sharing has been available for 36 months, cost share grants are reduced by one-half and are made available for an additional year. If the required action is still not taken by the landowner, the landowner is issued an NOD and cost-sharing (again at half the initial cost share rate) would be available for up to two years under DATCP's grant program. Because the DNR rules on critical sites were promulgated in 1994 and 1995, no sites have had four years of cost share grants available under the nonpoint program and thus, the NR 243 process has not been initiated under the critical sites provisions.

### **Grant Funding**

5. DATCP may allocate GPR, SEG and PR funds for grants to livestock operators for the construction of animal waste management practices which are required as a result of a NOD. Grants are typically provided for construction of feedlot runoff control and manure storage facilities, vegetative filter strips and other best management practices. Additionally, funds are allocated to counties as reimbursement for technical assistance provided by their staff to NOD recipients. Technical assistance reimbursements are limited to 15 percent of the cost-shared amount or the actual cost for providing the service, whichever is less.

6. While DATCP has authority to use GPR funds to provide animal waste grants, the statutory priority for the SWRM program's GPR funds is for basic annual grants to counties for county salaries and fringe benefits, support, and training related to the county's soil and water conservation and farmland preservation cross compliance program activities. The program's current base funding is \$2,455,700.

7. Prior to recent administrative rule changes, the basic annual staffing grants to counties were \$7,000 or \$12,000, with the higher amount provided if the county had a county conservationist. However, DATCP recently amended its rule relating to these grants to include the \$7,000 and \$12,000 amounts and all other staff and support costs related to the county's soil and water conservation and farmland preservation cross compliance program activities. As a

result, all but \$250,000 of the GPR available in 1996-97 was allocated for the staffing grants. After funding basic staffing grants, the statutes require that cost share grants to NOD recipients have priority for any remaining GPR funds.

8. 1991 Wisconsin Act 309 provided DATCP with \$950,000 SEG from the nonpoint account of DNR's environmental fund from which statutory priority is given to agricultural shoreland management grants. The statutes require that any remaining SEG funding after the agricultural shoreland grants are funded, must first be used to provide regulatory animal waste cost-sharing and technical assistance reimbursements. DATCP has allocated approximately \$400,000 SEG for agricultural shoreland projects and \$500,000 SEG for regulatory animal waste grants in 1996-97. Prior to 1995-96, due to low program activity, only a small amount of the SEG funding was allocated to agricultural shoreland projects (conservation practices required under county agricultural shoreland ordinances). However, program activity has increased which again results in less funds available for NOD cost share grants.

9. If any GPR or SEG remains after the statutory priorities are met, DATCP is allowed to use the funds for other soil and water conservation program activities. Historically, enough GPR and SEG have remained to allow DATCP to fund activities such as county nutrient and pesticide management planning, soil erosion control and database development projects. In 1996-97, DATCP's SWRM program allocates approximately \$425,000 in combined GPR and SEG for such projects.

10. When the critical sites provisions were added to the nonpoint program, it was anticipated that the number of NOD recipients in priority watersheds would increase. As a result, the Land and Water Conservation Board (LWCB) was given authority to transfer funds from DNR's nonpoint program appropriations to the program revenue appropriation in DATCP to fund any increase in the number of NODs in priority watersheds.

11. While the PR appropriation is estimated at \$100,000 annually, the funds are provided from DNR's nonpoint appropriation on an as needed basis after approval of the LWCB and therefore, expenditures could be more or less than \$100,000 in a given year. However, given the current nonpoint program demand, it is uncertain whether revenues beyond the \$100,000 would be available for transfer in the 1997-99 biennium. Since the appropriation was created, DATCP has expended \$64,600 in 1995-96 and the LWCB transferred approximately \$38,500 in April, 1997 to be used in 1996-97.

12. While DATCP has funded grants to NOD recipients in priority watersheds from the PR appropriation, none of the NOD sites were the result of the critical sites provisions added to the nonpoint program. Rather, the sites were issued NODs under the NR 243 complaint process.

13. The Governor's proposal would provide DATCP with additional flexibility in using the PR appropriation. The provision would allow DATCP to fund a grant to an NOD recipient

that would currently be required to be funded from the Department's GPR and SEG appropriations. Further, because the PR appropriation is not limited under the bill, if the Department could justify to the LWCB the need for the funding, the Department could conceivably pay for all the grants to NOD recipients under the PR appropriation.

14. Because DATCP has had funds available to allocate to lower statutory priority projects, it would appear that additional GPR and SEG funds could be made available if needed for NOD cost share grants outside of priority watersheds. Therefore, it could be argued that the additional funding flexibility is not needed and the PR funds should be available only to NOD recipients (or critical sites NODs) located in a priority watershed.

15. It could be argued that because the Legislature created the PR appropriation to fund a potential increase in NODs as a result of the critical sites provisions, DATCP should not be allowed to fund NODs from transfers from DNR's nonpoint appropriations that were not issued as result of the nonpoint program's critical sites provisions. Further, any transfer of funds to DATCP's PR appropriation reduces the amount of funds available for cost share grants for county staff or to landowners under DNR's nonpoint source pollution abatement program.

16. Currently, transfers from the DNR to DATCP's PR appropriation must be approved by the LWCB, but not by the Legislature. If the Committee would like oversight of the funds transferred under the PR appropriation in the future, the Committee could require Joint Finance approval (in addition to LWCB approval) of future DATCP requests for the transfer of funds. This would allow the Committee to ensure that base funds have been appropriately allocated and unspent revenues are available under the nonpoint program to cover the amounts requested for transfer.

### **Future Funding**

17. NOD cost share grants have averaged approximately \$753,500 per year over the past five calendar years. The following table lists the funding for animal waste grants since 1992.

<u>Year</u>	<u>Amount</u>
1992	\$546,800
1993	712,500
1994	705,800
1995	1,048,900
1996	736,800

18. Despite the historical expenditures, the Department is allocating only \$500,000 for NOD cost share grants in 1996-97. Monies (approximately \$425,000) were then allocated to nutrient and pest management and other SWRM projects that are a lower statutory priority for funding. DATCP officials now indicate that some NOD cost share requests will remain unfunded through 1996-97, and will be funded out of 1997-98 funds. While the Department cannot accurately project how many grants will need to be funded in a year, past expenditures would indicate that approximately \$750,000 should be allocated each year for these grants.

19. If DATCP again allocates \$500,000 for NOD cost share grants and requests exceed that amount, and all other funds are allocated, DATCP could ask the Joint Finance Committee or LWCB to transfer funds from the nonpoint program which would reduce DNR's nonpoint activity (including county staffing grants).

20. In order to require that DATCP continue to expend enough of their GPR and SEG funds to cover historical NOD expenditures, while allowing DATCP flexibility in the use of the PR funds, the Committee could require the Department to expend \$650,000 (average expenditures less the estimated \$100,000 PR needed to fund priority watershed NODs) from its GPR and SEG funding sources before requesting additional funding from either the Joint Committee on Finance or the LWCB. This would make the NOD cost share grants the top priority for \$650,000 in SEG or GPR currently budgeted to DATCP's SWRM program.

21. DATCP indicates that requiring the Department to make a NOD cost share grants first priority for \$650,000 of the GPR or SEG would likely reduce the level of funding the Department could provide for basic annual staffing grants and agricultural shoreland projects. However, the Department has consistently had adequate funds for these programs, NODs and for lower priority statutory programs. Further, the Department contends that when the \$950,000 SEG was provided in 1991, approximately \$500,000 was identified for agricultural shoreland projects, with the remaining \$450,000 available for NOD cost share grants and nutrient and pesticide management projects.

22. Alternative A2 would allow for a certain level of funding (approximately \$450,000 SEG and \$200,000 GPR) to be available for NOD cost share grants despite the level of program activity under DATCP's SWRM and agricultural shoreland programs.

## ALTERNATIVES TO BASE

### A. Funding Transfer

1. Approve the Governor's recommendation to allow DATCP to award grants to any landowner, regardless of location, that has received a Department of Natural Resources (DNR) notice of discharge of animal waste from the PR appropriation that currently restricts such grants to only those landowners within a state designated priority watershed.

2. Approve the Governor's recommendation to allow DATCP to award grants to any landowner that has received an NOD, regardless of location, from the PR appropriation. Further, require that DATCP expend \$650,000 in funding from its SEG and/or GPR funds for NODs, before requesting additional funding.

3. Maintain current law (the PR appropriation would continue to be restricted to grants to NOD recipients in a priority watershed).

## B. Transfer Authority

1. Require Joint Committee on Finance approval, under a 14-day passive review process, of any transfers from DNR's nonpoint appropriations to DATCP's PR appropriation after receiving approval from the LWCB.

2. Maintain current law (the LWCB would continue to have authority to transfer funds).

Prepared by: Al Runde

MO# ALT A.1 #169

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 8 NO 9 ABS 1

MO# AHAZ #169

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 6 NO 9 ABS 1

FAIL

MO# AH BZ

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE \_\_\_\_\_ NO \_\_\_\_\_ ABS \_\_\_\_\_

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Gypsy Moth Control Program Staff (DATCP)

[LFB Summary: Page 81, #8]

## CURRENT LAW

DATCP administers a gypsy moth control program to survey, control and provide public education on plant pests and movement of plants or other materials to prevent the spread of serious plant pests. DATCP is provided 6.0 positions and approximately \$1.8 million for the program as follows: (a) an annual SEG appropriation funded from the forestry account of the conservation fund with base level funding of \$837,400; (b) a continuing SEG appropriation (\$200,000 in base funding) to which all monies received from a one cent surcharge on seedlings sold at state forest nurseries are deposited; and (c) a PR appropriation (\$74,600 in base funding) to which all monies received from nurseryman's license fees and surcharges are deposited. In addition, in 1996-97, approximately \$632,000 in federal funding from the National Forest Service and the Animal Plant Health and Inspection service will also be used to fund gypsy moth control program efforts in DATCP and DNR.

## GOVERNOR

Provide 1.0 management information system position and convert 3.0 project positions to permanent status (currently, two of the project positions are federally-funded) to be funded from the annual forestry account SEG appropriation. The positions would continue the gypsy moth trapping program at its current level, assist in administering the program and provide interagency coordination of gypsy moth control efforts. The positions would be paid from the program's base level funding by transferring \$148,200 in 1997-98 and \$158,000 in 1998-99 of supplies to permanent salaries and fringe benefits.

## DISCUSSION POINTS

1. The primary costs associated with DATCP's gypsy moth control program involve (a) hiring limited-term employee staff to distribute and collect moth traps; (b) the input of data associated with the gypsy moth survey which provides computerized tracking of where the moths are most prevalent; and (c) the spraying or use of other methods to control or eradicate the moths in the most prevalent areas.

2. Gypsy moth control expenditures are largely determined by: (a) the size of the areas surveyed to detect where the moths are most prevalent; and (b) the number of acres sprayed or treated to eradicate or control the spread of the moths. While any program activity could be funded from any of the appropriations, DATCP primarily funds the controls for spraying activity from the continuing SEG and PR appropriations as well as from federal funds. The annual SEG appropriation funds 4.0 staff as well as limited-term employees associated with the survey activities, information and education program activities and spray costs if needed. The four staff will maintain the current level of program activity. Further, the recent federal decision to quarantine four counties in the state is likely to necessitate at least this level of staffing for the foreseeable future.

3. Any unexpended funds from the annual SEG appropriation would lapse back to the conservation fund. In recent years, funds have been lapsed from the annual appropriation to the forestry account of the conservation fund (\$226,200 in 1994-95 and \$124,375 in 1995-96). DATCP indicates that expenditures have been lower than anticipated because the number of spray acres have been kept as low as possible without sacrificing control and due to technology advancements in technology related to the survey and spray activities. For example, global positioning mapping and satellite systems that guide spray pilots accurately within treatment blocks avoids the need for ground personnel to assist pilots and allows the spray planes to avoid environmentally sensitive areas. Further, geographic information systems have reduced the duplicative efforts related to entering and mapping survey data.

4. The unexpended SEG funds have primarily lapsed from unspent supplies and services funding for a portion of the program's annual gypsy moth survey, spray treatment and information and educational activities. For example, if program expenditures related to these activities are lower than budgeted, or if funding can be provided from the other appropriations or from federal sources, funding for supplies from the annual SEG appropriation remains unexpended and lapses.

5. DATCP's 1997-99 biennial budget request identified \$148,200 in 1997-98 and \$158,000 in 1998-99 in supplies funding from the SEG annual appropriation that would likely go unexpended. The Department requested, and the Governor recommends, that the funding be reallocated from supplies to fund the 4.0 positions from the program's base level funding. As a result, because the salary and fringe costs associated with the staff would be permanent and on-going costs, funding the additional positions from the annual appropriation could reduce the



likelihood that funds would continue to remain unexpended and lapse to the conservation fund's forestry account.

6. The continuing SEG appropriation had a \$332,600 balance at the end of 1995-96. The appropriation is expected to generate annual revenues of approximately \$150,000 during the 1997-99 biennium. While revenues deposited to the appropriation have been declining, it would appear the continuing appropriation could fund, from base funding levels, the two federal project positions (at a cost of \$84,800 annually) recommended to be converted to permanent status. This alternative would reduce the number of permanent positions funded from the annual appropriation which would increase the likelihood that funding would lapse to the conservation fund, in the event available program funding exceeds expenditures.

### ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide 4.0 permanent positions to be funded from a reallocation of supplies in the annual forestry account appropriation.

<u>Alternative 1</u>	<u>SEG</u>
1995-97 POSITIONS (Change to Base)	4.00
[Change to Bill]	0.00]

2. Provide 2.0 permanent positions from the annual forestry account appropriation (reallocate \$63,400 in 1997-98 and \$73,200 in 1998-99 from supplies) and 2.0 positions (reallocate \$84,800 annually) from DATCP's continuing appropriation for gypsy moth control funded from the forestry account of the conservation fund.

<u>Alternative 2</u>	<u>SEG</u>
1995-97 POSITIONS (Change to Base)	4.00
[Change to Bill]	0.00]

3. Maintain current law.

<u>Alternative 3</u>	<u>SEG</u>
1995-97 POSITIONS (Change to Base)	0.00
[Change to Bill]	- 4.00]

Prepared by: Al Runde

MO# AK#2 P#170

PAPER  
#170

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 15 NO 0 ABS 1

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### **Agricultural Investment Aids -- Sustainable Agriculture Grants (DATCP)**

[LFB Summary: Page 84, Item #15]

## CURRENT LAW

DATCP administers an agriculture development and diversification (ADD) grant program that provides grants to fund demonstration projects, feasibility analyses, and applied research toward new or alternative technologies and practices to stimulate agricultural development and economic activity. Base level funding is \$200,000 GPR annually.

DATCP also has authority to provide sustainable agriculture grants for demonstration projects designed to encourage the use of practices or systems that emphasize the use of renewable resources and minimize the need for energy inputs and other inputs from non-renewable sources. No funding is currently provided for the program.

## GOVERNOR

Provide \$200,000 GPR annually for agricultural development and diversification and sustainable agriculture grants. The bill would double available funding from \$200,000 to \$400,000 annually for grants to farmers or other entrepreneurs to develop new agricultural crops and livestock products, value-added and other new uses for existing products and new business ventures. Grants for research or other activities to improve the state's agricultural industry are also provided. The program would be renamed the "agricultural investment aids program" and would be expanded to allow the Department to make grants to fund sustainable agriculture demonstration projects.

## DISCUSSION POINTS

1. Under the bill, the agricultural investment aids program would consist of the current agricultural development and diversification (ADD) program and the sustainable agriculture grant program. However, the bill does not require that a specified amount be allocated to either program.

2. The ADD program, established in 1989, provides grants to fund demonstration projects, feasibility analyses, and applied research toward new or alternative technologies and practices to stimulate agricultural development and economic activity. Since the program began, approximately \$1.3 million in grants have been awarded to farmers, researchers and agribusinesses to fund a variety of development and diversification efforts (examples include feasibility studies on the marketability of specialty cheeses, shitake mushrooms and organic beef).

3. The ADD program grant applications have consistently exceeded the available level of funding (\$200,000 annually). Since 1989-90, the program has been able to fund 10% of the grants requested and 13% of the proposals submitted. The following table lists the program activity since 1989-90.

### ADD Program Activity

<u>Year</u>	<u>Funding</u>		<u>Grants</u>	
	<u>Requested</u>	<u>Approved</u>	<u>Proposals</u>	<u>Approved</u>
1989-90	\$1,435,000	\$100,000	48	6
1990-91	1,700,000	200,000	69	11
1991-92	2,394,000	212,000	86	13
1992-93	2,405,800	200,000	92	12
1993-94	2,920,300	200,000	105	11
1994-95	2,289,800	200,000	83	10
1995-96	<u>2,481,800</u>	<u>200,000</u>	<u>93</u>	<u>12</u>
Total	\$13,336,900	\$1,312,000	576	75

4. While the bill would fund more grant requests, whether the increase is approved or not, funding would continue to be substantially lower than program demand. Further, DATCP indicates that approximately \$100,000 annually of the additional funding would likely be used to fund sustainable agriculture grants. However, it should be noted that unfunded grant proposals could be overstated in that applicants who do not receive funding in one year could reapply the next year. Therefore, some of the program demand could be cumulative.

5. The sustainable agriculture program was created in 1987 to provide grants for demonstration projects designed to encourage the use of practices or systems that emphasize the use of renewable resources and minimize the need for energy inputs and other inputs from non-renewable sources while maintaining profitability. The program has provided over \$2.9 million in grants for 182 projects.

6. In the past, the program was funded with federal oil overcharge funds. The program was eliminated in the 1995-97 budget, because the oil overcharge funds were no longer available and no alternative funding source was provided for the program. In its 1995-97 budget request, DATCP identified funding including \$198,000 in 1996-97 in unspent GPR funds from its soil and water resource management program to be used to provide sustainable agriculture grants. However, in his 1995-97 biennial budget recommendations the Governor deleted the GPR identified by DATCP. The Legislature adopted the Governor's recommendation and required DATCP to submit a funding report for the sustainable agriculture program to the standing committees on agriculture of each house of the Legislature by June 1, 1996.

7. In meeting the legislative requirement, DATCP established a 13-member advisory committee to develop a proposal for a funding source for the program. The Committee did not recommend a short-term funding source for 1996-97. However, based on the Committee's work, the DATCP Secretary recommended that long-term funding for the program come from: (a) GPR funding because the program would benefit all citizens of Wisconsin; or (b) the segregated agrichemical management fund, which has a substantial balance.

8. The funding report also indicated that other midwestern states (Illinois, Iowa and Minnesota) have sustainable agriculture grant programs that have provided \$150,000 to \$635,000 annually in grants.

9. While the current ADD program would appear to allow DATCP to fund sustainable agriculture projects, the bill would provide the Department specific authority to make grants from the agricultural investment aids appropriation.

## ALTERNATIVES TO BASE

1. Provide \$200,000 annually in agriculture investment aids for agricultural development and diversification and sustainable agriculture grants from one of the following:

- a. \$200,000 GPR annually as recommended by the Governor.

<u>Alternative 1a</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$400,000
[Change to Bill]	\$0]

b. \$100,000 GPR annually for the ADD program and \$100,000 SEG annually from the agrichemical management fund for sustainable agriculture grants.

<u>Alternative 1b</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$200,000	\$200,000	\$400,000
[Change to Bill]	- \$200,000	\$200,000	\$0]

2. Provide \$100,000 annually in additional grant funding and do one of the following:

a. Provide DATCP specific authority to make grants to fund sustainable agriculture grants (grants could be made under funding provided to the ADD program); or

<u>Alternative 2a</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$200,000
[Change to Bill]	- \$200,000]

b. Prohibit DATCP from making sustainable agriculture grants;

<u>Alternative 2b</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$200,000
[Change to Bill]	- \$200,000]

c. Provide the funding from the agrichemical management fund for sustainable agriculture grants.

<u>Alternative 2c</u>	<u>GPR</u>	<u>SEG</u>	<u>Total</u>
1997-99 FUNDING (Change to Base)	\$0	\$200,000	\$200,000
[Change to Bill]	- \$400,000	\$200,000	- \$200,000]

3. Maintain current law funding (\$200,000 annually) for the agricultural investment aids program and do one of the following:

a. Provide DATCP specific authority to make grants from existing funds to fund sustainable agriculture grants; or

- b. Delete authority to make sustainable agriculture grants.

Alternative 3	GPR
1997-99 FUNDING (Change to Base)	\$0
[Change to Bill	- \$400,000]

Prepared by: Al Runde

MO# 11/13

JENSEN	<input checked="" type="checkbox"/>	N	A
OURADA	<input checked="" type="checkbox"/>	N	A
HARSDORF	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

BURKE	<input checked="" type="checkbox"/>	N	A
DECKER	<input checked="" type="checkbox"/>	N	A
GEORGE	<input checked="" type="checkbox"/>	N	A
JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A

AYE 4 NO 1 ABS 1

MO# Verbal \*

JENSEN	<input checked="" type="checkbox"/>	N	A
OURADA	<input checked="" type="checkbox"/>	N	A
HARSDORF	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

BURKE	<input checked="" type="checkbox"/>	N	A
DECKER	<input checked="" type="checkbox"/>	N	A
GEORGE	<input checked="" type="checkbox"/>	N	A
JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A

AYE 5 NO 10 ABS 1

\* Gov's language

1b flexible Allow department flexibility to spend \$100,000 in Seg + \$100,000 GPR annually

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### County and District Fair Aids (DATCP)

[Page 84, #16]

## CURRENT LAW

DATCP provides county and district fair aids from two appropriations: a GPR sum sufficient appropriation capped at \$585,000 annually and a pari-mutuel supplemental aid appropriation capped at \$650,000 annually from which available program revenues reduce the GPR funding available on a dollar-for-dollar basis.

## GOVERNOR

Reduce GPR funding for county and district fair aids by \$138,700 in 1997-98 to reflect available pari-mutuel racing revenues.

## DISCUSSION POINTS

1. The Gaming Board receives certain pari-mutuel racing revenues that are appropriated for the Board's regulatory responsibilities relating to pari-mutuel racing and wagering. Primarily, this revenue is derived from: (a) fees charged for the supervision of racing; (b) fees charged for required licenses and related background investigations of license applicants; (c) a special program allocation of 0.75% of the total amount wagered on a race day; and (d) all winnings unclaimed within 90 days of the end of the race year.



2. At the end of a fiscal year, any available balance in the appropriation is transferred as follows: (a) \$650,000 annually to the Department of Agriculture, Trade and Consumer Protection (DATCP) to provide state aids to counties and agricultural societies, associations or boards and to incorporated dairy or livestock associations; and (b) \$50,000 annually to DATCP to provide aid to the Wisconsin livestock breeders association for the conduct of junior livestock shows and other livestock educational programs. Any remaining amount lapses to the state's general fund.

3. Under current revenue estimates, pari-mutuel racing revenue available for transfer to DATCP would total \$376,500 in 1997-98 and \$320,400 in 1998-99 above that anticipated in SB 77. It should be noted, however, that the estimate assumes that current levels of race performances and wagering would continue through the 1997-99 biennium. The closing of a racetrack or competition from other forms of gambling could affect net revenues and the amount available to DATCP would change accordingly.

4. The pari-mutuel revenues transferred to DATCP offset the level of GPR funds for the county and district fair aids program on a dollar-for-dollar basis. Base level GPR funding is provided from a sum sufficient appropriation not to exceed \$585,000. Therefore, fair aids will be funded at no less than \$585,000 in each year, regardless of any fluctuations in pari-mutuel revenues.

## MODIFICATION TO BASE

Reestimate GPR funding for county and district fair aids by deleting an additional \$376,500 in 1997-98 and \$320,400 in 1998-99 to reflect current estimates of pari-mutuel racing revenues for the 1997-99 biennium.

<u>Modification</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	- \$835,600
[Change to Bill]	- \$696,900]

Prepared by: Al Runde and Art Zimmerman

MO# Modification to Base  
paper #174

JENSEN	X	N	A
ZOURADA	X	N	A
HARSDORF	X	N	A
ALBERS	X	N	A
GARD	X	N	A
KAUFERT	X	N	A
LINTON	X	N	A
COGGS	X	N	A

BURKE	X	N	A
DECKER	X	N	A
GEORGE	Y	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	Y	N	A

AYE 15 NO 0 ABS 1

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### **Aids for Federal Dairy Policy Reform Activities (DATCP)**

[LFB Summary: Page 85, Item #17]

## GOVERNOR

Provide \$50,000 each year in a biennial appropriation to establish a grant program to provide assistance to the Department and organizations working to reform federal milk marketing orders for the benefit of state milk producers.

## DISCUSSION POINTS

### **Federal Dairy Pricing Concerns**

1. Wisconsin's Dairy industry contributes an estimated \$17 billion annually to the state's economy and accounts for an estimated 200,000 full and part-time jobs in the state.

2. It is believed that Wisconsin's dairy farmers, along with dairy farmers throughout the Midwest, are at a competitive disadvantage to other regions under the current federal milk marketing order system. The milk marketing order system sets forth milk marketing practices including the minimum prices that must be paid to producers. Milk prices vary by each order and generally rise depending on how far the milk production is from Eau Claire, Wisconsin. The current pricing order system is largely based on conditions that existed in the milk market in the 1960s.

3. The 1996 Farm Bill requires the U.S. Department of Agriculture (USDA) to consolidate the 30 federal milk marketing orders into 10 to 14 new orders and to establish milk

pricing rules. USDA is soliciting comments and ideas on potential changes to the current federal marketing orders and development of the new consolidated orders is likely to continue through at least December, 1998. The consolidation of the orders is required to be completed by April, 1999.

4. DATCP officials indicate that an indication of the potential impact that milk marketing order reform will have on the dairy industry is demonstrated by the fact that other regions of the country are already conducting analysis and sending officials to Washington to pursue their state's interests under the marketing order system. Wisconsin has also expended funds to send the Governor, DATCP Secretary and other agriculture officials to Washington to discuss dairy price reform.

5. In addition, the USDA Secretary recently decided to allow the formation of a Northeast Interstate Dairy Compact, whereby six northeast states are allowed to set minimum prices paid to producers for milk. DATCP and the state's dairy industry contend that the existence of the Northeast Compact could lead to higher prices received by dairy farmers in the Northeast compared to the prices received by Wisconsin farmers. Higher prices could lead to surplus production in that region which will likely lower milk prices in other regions including the midwest. In addition, surplus production could increase federal taxpayer funded purchases of excess production.

6. Other Wisconsin industries involved in interstate commerce that are concerned that federal rules or orders may put them at a disadvantage to their competitors in other states could also argue to use state tax dollars to advance their interests in Washington. On the other hand, due to the significance of the dairy industry in the state and the impending federal rule changes, the potential for improving the Wisconsin dairy industry's competitive position does exist.

#### **Aid For Dairy Reform**

7. DATCP indicates the \$50,000 provided each year under the bill would be the state's contribution to the Upper Midwest Dairy Coalition to assist their efforts to reform federal dairy policy and correct any inequities that exist under the current pricing system. The Coalition was established in 1995, for that purpose and has members that include dairy cooperatives, farm organizations, trade associations and state agencies. A Coalition official indicates that the state funding would be used to assist with the cost of economic and legal analyses which could be used to educate federal officials about the inequities in the federal pricing system.

8. The Upper Midwest Coalition generally consists of Wisconsin, Illinois, Iowa, Minnesota and North and South Dakota. DATCP and the Minnesota Department of Agriculture have provided the Coalition with funding in the past. Each state has provided approximately \$10,000 to assist with economic analyses conducted at the University of Wisconsin. A Coalition official indicates that the Coalition does not expect contributions from the remaining states

because the dairy industry is not as prevalent in those states and thus the overall economic impact of the federal pricing system is less.

9. Two bills being considered by the Minnesota Legislature would provide \$50,000 or \$90,000 annually toward the Coalition's efforts. To date, the Coalition has received approximately \$85,000 in member contributions for the current fiscal year. The Coalition's goal is to raise \$150,000 annually.

10. The \$50,000 in funding provided each year is provided on an on-going basis and therefore, would be part of the Department's base funding for the 1999-2001 biennium. However, since the federal marketing order reform is required to be completed by April, 1999, the Committee could provide the funding on a one-time basis. Under this alternative, the funding would not become part of the Department's base for the next biennium.

11. DATCP provided \$10,000 in 1995-96 from its marketing general operations appropriation (\$1,503,900 in base funding) for the Coalition's efforts. DATCP indicates funding will likely not be provided in 1996-97. Arguably, since DATCP used marketing funds in the past, DATCP could give federal dairy price reform priority use of these funds and fund the state's annual contribution to the Coalition from existing funding in this appropriation.

12. Further, DATCP administers an agriculture development and diversification (ADD) grant program that provides grants to fund demonstration projects, feasibility analyses, and applied research toward new or alternative technologies and practices to stimulate agricultural development and economic activity. The program is currently provided \$200,000 GPR annually for grants and the bill contains an additional \$200,000 GPR annually (\$400,000 total) for the program and would expand the program to fund sustainable agriculture grants.

13. DATCP's rule related to the ADD program (ATCP 161) states that DATCP can award ADD grants for purpose of improving the competitive position of the state's agriculture industry. The state's contribution to the Coalition would be an allowable purpose in that the Coalition's goal is to remove the inequities of the current federal dairy pricing system which would improve the industry's competitive position. Therefore, DATCP could provide the \$50,000 for dairy price reform activities in each year of the biennium either from the ADD program, the marketing appropriation or a combination of the two.

## **ALTERNATIVES TO BASE**

1. Approve the Governor's recommendation to provide \$50,000 in each year in a biennial appropriation to establish a grant program to provide assistance to the Department and organizations working to reform federal policy, including federal milk marketing orders.

<u>Alternative 1</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$100,000
[Change to Bill]	\$0]

2. Provide \$50,000 GPR each year on a one-time basis.

<u>Alternative 2</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$100,000
[Change to Bill]	\$0]

3. Maintain current law. (DATCP could allocate resources for this purpose from existing program funds.)

<u>Alternative 3</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$100,000]

*exclude using the  
funds for  
of grants & ADD. to  
be used by the dept.  
I instead like the funds from  
general marketing account*

Prepared by: Al Runde

MO# AH3

ZJENSEN	<input checked="" type="checkbox"/>	N	A
OURADA	<input checked="" type="checkbox"/>	N	A
HARSDORF	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

BURKE	<input checked="" type="checkbox"/>	N	A
DECKER	<input checked="" type="checkbox"/>	N	A
GEORGE	<input checked="" type="checkbox"/>	N	A
JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A

AYE 8 NO 7 ABS 1

MO# Verbal

JENSEN	<input checked="" type="checkbox"/>	N	A
OURADA	<input checked="" type="checkbox"/>	N	A
HARSDORF	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

BURKE	<input checked="" type="checkbox"/>	N	A
DECKER	<input checked="" type="checkbox"/>	N	A
GEORGE	<input checked="" type="checkbox"/>	N	A
JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A

AYE 7 NO 8 ABS 1

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

**ISSUE****Program Revenue Reestimates (DATCP)****A. ANIMAL HEALTH SERVICES****Governor**

No provision.

**Modification to Base**

Delete \$100,000 PR annually in supplies and services to reflect a reestimate of available program revenues.

**Explanation:** The adjustment is necessary in order to hold expenditures within available revenues. Resulting expenditure authority of \$2,025,800 annually would be approximately 9% over current expenditure levels. (Further, if revenues exceed estimates in the future, additional expenditure authority could be sought under s. 16.515 of the statutes.)

<u>Modification</u>	<u>PR</u>
1997-99 FUNDING (Change to Base)	- \$200,000
[Change to Bill	- \$200,000]

## B. DOG LICENSES, RABIES CONTROL AND RELATED SERVICES

Governor

No provision.

### Modification to Base

Delete \$20,000 PR annually for supplies to reflect a reestimate of available program revenues.

**Explanation:** The adjustment is necessary to hold expenditures within estimated available revenues. Resulting expenditure authority of \$112,800 annually would be about 4% over current expenditure levels.

<u>Modification</u>	<u>PR</u>
1997-99 FUNDING (Change to Base)	- \$40,000
[Change to Bill]	- \$40,000]

## C. SALE OF ANIMAL HEALTH SUPPLIES

Governor

No provision.

### Modification to Base

Delete \$34,000 PR annually for supplies to reflect a reestimate of available program revenues.

**Explanation:** The adjustment is necessary to hold expenditures within estimated available revenues. Resulting expenditure authority of \$30,000 annually would be consistent with recent expenditure levels. Sale of animal health vaccines, tags and other supplies are used to cover the costs of those supplies.

<u>Modification</u>	<u>PR</u>
1997-99 FUNDING (Change to Base)	- \$68,000
[Change to Bill]	- \$68,000]

Prepared by: Al Runde

MO# ALHABC → modifications to BASE

JENSEN	<input checked="" type="checkbox"/>	N	A
OURADA	<input checked="" type="checkbox"/>	N	A
HARSDORF	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
2 LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

BURKE	<input checked="" type="checkbox"/>	N	A
DECKER	<input checked="" type="checkbox"/>	N	A
GEORGE	<input checked="" type="checkbox"/>	N	<input checked="" type="checkbox"/>
JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A

AYE 15 NO 0 ABS 1



AGRICULTURE, TRADE AND CONSUMER PROTECTION

Soil and Water Resource Management

Motion:

Move to rename the activities referred to in the statutes as "soil" and water conservation activities to "land" and water conservation activities.

MO# #1561

JENSEN	<input checked="" type="checkbox"/>	N	A
OURADA	<input checked="" type="checkbox"/>	N	A
HARSDORF	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A
BURKE	<input checked="" type="checkbox"/>	N	A
DECKER	<input checked="" type="checkbox"/>	N	A
GEORGE	<input checked="" type="checkbox"/>	N	A
JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A
AYE	<u>14</u>	NO	<u>1</u>
		ABS	<u>1</u>

## AGRICULTURE, TRADE AND CONSUMER PROTECTION

### LFB Summary Items for Which No Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>	MO# <i>all Items</i> <i>w/o papers</i>		
1	Standard Budget Adjustments	JENSEN	<input checked="" type="checkbox"/> Y	N A
5	Division of Agricultural Resource Management	OURADA	<input checked="" type="checkbox"/> Y	N A
7	Wind Erosion Control Aids	HARSDORF	<input checked="" type="checkbox"/> Y	N A
10	Food Processing Reinspection Fees	ALBERS	<input checked="" type="checkbox"/> Y	N A
11	Weights and Measures Program (except LP Gas)	GARD	<input checked="" type="checkbox"/> Y	N A
12	Public Storage Warehouse Keepers	KAUFERT	<input checked="" type="checkbox"/> Y	N A
13	Grain Inspection Program	LINTON	<input checked="" type="checkbox"/> Y	N A
14	Vegetable Inspection Program	COGGS	<input checked="" type="checkbox"/> Y	N A
18	Stray Voltage Program	BURKE	<input checked="" type="checkbox"/> Y	N A
19	Farm Services Center Reorganization	DECKER	<input checked="" type="checkbox"/> Y	N A
20	Animal Disease Control	GEORGE	<input checked="" type="checkbox"/> Y	N A
21	Computer Infrastructure	JAUCH	<input checked="" type="checkbox"/> Y	N A
22	Information Technology Plan Implementation	WINEKE	<input checked="" type="checkbox"/> Y	N A
23	Consolidation of Computer Staff	SHIBILSKI	<input checked="" type="checkbox"/> Y	N A
24	Laboratory Services -- Staff Reduction	COWLES	<input checked="" type="checkbox"/> Y	N A
25	Laboratory Services	PANZER	<input checked="" type="checkbox"/> Y	N A
26	Legal Services Consolidation			
27	Court Ordered Restitution			
		AYE <u>15</u>	NO <u>0</u>	ABS <u>1</u>

### LFB Summary Items for Introduction as Separate Legislation

<u>Item #</u>	<u>Title</u>
28	Dairy Plant Records
29	Denial of Licenses for Failure to Pay Child Support and Tax Delinquency